GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1939
ANSWERED ON:09.03.2001
NEW BANKS
UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE be pleased to state:

(a) whether RBI has suggested that only three new banks be allowed to be formed every year;

(b) if so, the details thereof alongwith reasons therefor; and

(c) the steps proposed to be taken to remove the limit on number of new banks to be allowed every year ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a), (b)&(c):- Reserve Bank of India (RBI) have issued revised guidelines in January, 2001 on the entry of new banks in the private sector. These guidelines, inter-alia indicate that the number of license to be issued in the next three years may be restricted to two or three of the best acceptable proposals, which would also include permission granted to any Non-Banking Financial Company (NBFC) for conversion into bank. It has been further indicated therein that if the number of acceptable proposals of the highest standards are more than three, this limit may be relaxed on the recommendation of the Advisory Committee set up to examine the applications.